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Message Text

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21
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 COME-00 TRSE-00 CIEP-01 OMB-01

PM-03 NSC-05 SP-02 SS-15 CIAE-00 INR-07 NSAE-00 /057 W
---------- 109466
R 191510Z JUN 75
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 4880
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY ATHENS
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

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FOR CAGNE FROM COMATT

EO 11652: N/A
TAGS: BEXP, LE
SUBJECT: BEIRUT'S POSITION AS REGIONAL BUSINESS CENTER

REF: A-47 OF FEB. 26 AND A-95 OF APRIL 22, 1975

1. DESPITE RECURRING CIVIL DISTURBANCES WHICH HAVE PLAGUED LEBANON THIS SPRING, EMBASSY SURVEY LOCAL U.S. BUSINESS COMMUNITY INDICATES THAT NO MAJOR EXODUS AMERICAN COMPANIES TAKING PLACE OR IN PLANNING. THIS SITUATION, OF COURSE, CAN CHANGE RAPIDLY SHOULD UNSTABLE SECURITY SITUATION CONTINUE WITH NO END IN SIGHT. HOWEVER, AT THIS POINT APPEARS U.S. COMPANIES PLANNING CONTINUE USE BEIRUT AS PRINCIPAL BUSINESS CENTER FOR ARAB WORLD IN ABSENCE LACK VIABLE ALTERNATIVE.

2. AS ADDRESSEE POSTS KNOW, INTEREST OF U.S. BUSINESS
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IN MIDDLE EAST HAS TAKEN OFF OVER PAST MONTHS. THIS

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INTEREST REFLECTED IN SIGNIFICANT INCREASE IN AMERICAN
COMPANIES ESTABLISHING OFFICES BEIRUT. USING
OCT 1973 AS A MILEPOST, EMBASSY ESTIMATES AT LEAST
65 U.S. COMPANIES HAVE OPENED OFFICES IN BEIRUT
JOINING ESTIMATED 225 BUSINESS AND BANKS ALREADY
ESTABLISHED HERE. REASONS MOST OFTEN CITED BY
COMPANIES CHOOSING BEIRUT ARE GOOD AIRLINE CONNECTIONS
TO NEIGHBORING AREAS; PLEASANT CLIMATE AND RECREATIONAL
FACILITIES; AVAILABILITY GOODS AND SERVICES; LACK OF
ONEROUS GOVERNMENT REGULATIONS AS TO WORK PERMITS AND
TAXES; FREE MOVEMENT OF CAPITAL AND BANK SECRECY LAW;
AVAILABILITY OF GOOD SCHOOLS AND HOSPITALS; AND POOL
OF ADEQUATE LOCAL OFFICE STAFF AND TECHNICIANS.

3. THESE FAVORABLE CONDITIONSCONTINUE PERTAIN
BUT SOME PROBLEM AREAS HAVE SURFACED, E.G.,
SIGNIFICANTLY HIGHER COSTS FOR HOUSING AND OFFICE
SPACE; RISING LOCAL WAGE RATES; AND DELAYS IN
OBTAINING TELEPHONE AND TELEX FACILITIES. OF MAJOR
CONCERN TO AMERICAN BUSINESS COMMUNITY, ASIDE FROM
IMPORTANT PROBLEM OF PERSONAL SECURITY, IS LOCAL
MAIL SITUATION WHICH DETERIORATED ALMOST TO POINT
OF TOTAL CHAOS PAST SPRING. GOL INABILITY MOVE
MAIL WITHIN BEIRUT OR INTERNATIONALLY CAUSED LOCAL
OFFICES U.S. COMPANIES UTILIZE PROFESSIONAL AND
MAKE-SHIFT COURIER SERVICE INCLUDING IN SOME CASES
ARRANGEMENTS FOR PERIODIC RUNS TO DAMASCUS FOR
INTERNATIONAL MAIL. IN LAST TWO WEEKS MAIL SITUATION
APPEARS IMPROVED, BUT MEMORY MAIL CHAOS UNDOUBTEDLY
LINGERS ON IN THE MINDS OF MANY AMERICAN BUSINESS
MANAGERS.

4. WITH RESPECT TO GENERAL SECURITY SITUATION,
MEMBERS AMERICAN BUSINESS COMMUNITY WHICH KEPT ITS COOL
OBVIOUSLY AFFECTED BY SOUND AND SIGHT INTERNAL
LEBANESE DISCORD. PRESENT ATTITUDE APPEARS
TO BE WAIT-AND-SEE IF SITUATION SETTLES DOWN WITH
MOST BUSINESS OBSERVERS OPTIMISTIC. WITH THIS IN
MIND, AND WITH NO GENERALLY-ACCEPTABLE ALTERNATIVE
TO BEIRUT AS HOME BASE, COMPANIES STAYING PUT. IN
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CASES WHERE CHANGES BEING MADE, THESE APPARENTLY BASED
ON DECISIONS MADE MONTHS AGO AND RELATE TO BUSINESS
OPERATIONS RATHER THAN SECURITY. FOR EXAMPLE,
AMERICAN PETROLEUM INSTITUTE REPRESENTATIVE MOVING
TO ATHENS TO BETTER COVER SOUTHERN EUROPE WHERE
WORKLOAD INCREASING. APPROXIMATELY 6 FAMILIES GLOBAL
MARINE HAVE LEFT TO CAIRO IN RESPONSE WORK IN GULF
OF SUEZ. AMPEX SETTING UP ATHENS OFFICE IN ADDITION

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TO BEIRUT OFFICE TO BETTER COVER AFRICAN
OPERATIONS. BECHTEL HAS CHANGED PLANS FOR ADDITIONAL
EXPANSION BEIRUT IN FAVOR ASSIGNMENT INCREASED PERSONNEL
TO OTHER AREA CITIES IN DECENTRALIZATION MOVE.
SECURITY CONDITIONS MOST APPLICABLE IN CASES COMPANIES
PROVIDING OIL-RELATED SERVICES WHERE HEAD OF HOUSEHOLD
WORKING IN ARABIA WHILE FAMILIES RESIDE IN BEIRUT.
FOR EXAMPLE, SANTA FE DRILLING WITH 60 FAMILIES
BEIRUT HAS NO PLANS MOVE THEM BUT WOULD KEEP BEIRUT
OFFICE OPEN NO MATTER LOCATION OF WORKERS' FAMILIES.

5. IN SUM, AMERICAN COMPANIES APPEARING STAY PUT IN
ABSENCE ALTERNATIVE TO BEIRUT. IN EVENT POLITICAL
SITUATION STABILIZES EMBASSY EXPECTS BEIRUT RETAIN
POSITION AS SITE FOR REGIONAL OFFICES U.S. BUSINESS.
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